FCA Board Approves Plan of Merger and Adopts Final Rule to Govern Capital Planning at Farmer Mac

McLEAN, Va., Sept. 12, 2013 — At its monthly meeting today, the Farm Credit Administration Board granted preliminary approval of the proposed plan for Texas Land Bank, ACA, to merge into Lone Star, ACA. According to the plan, Texas Land Bank’s subsidiaries will also merge into the subsidiaries of Lone Star.

If the plan receives stockholder approval and final approval from FCA, Lone Star and its subsidiaries will be the continuing associations, with headquarters in Fort Worth, Texas, and the merger will take effect on Jan. 1, 2014.

In other business, the Board adopted a final rule to revise its regulations in 12 CFR Part 652 governing business and capital planning at the Federal Agricultural Mortgage Corporation (Farmer Mac).

FCA proposed revisions to these regulations in January 2013. The final rule requires Farmer Mac to submit a capital plan annually to FCA’s Office of Secondary Market Oversight and to notify the office under certain circumstances before making a capital distribution.

The purpose of the rule is to increase FCA’s regulatory focus on the quality and level of Farmer Mac’s capital base and to promote best practices for capital adequacy planning and stress testing. For more information, see the related fact sheet.

The final rule will become effective 30 days after publication in the Federal Register during which either body of Congress is in session. Notice of the effective date will be published in the Federal Register.

Report on the Condition of the Farm Credit System

According to a quarterly report by the Office of Examination, the Farm Credit System posted solid earnings and higher capital levels in the second quarter. Credit quality in the System’s portfolio is generally strong, and the trend continues to be favorable. Overall, the System remains fundamentally safe and sound and is well positioned for the challenges facing agriculture.
As the U.S. economy continues to slowly recover, long-term interest rates have started to rise. Because of an expected rebound in crop production, grain prices, especially for corn, are down significantly from last year. Grain prices are expected to remain volatile in the near term because recent hot, dry weather may affect production levels.

Although lower prices will pressure margins for grain producers, the protein and dairy sectors will benefit from significantly lower feed costs. Higher interest rates and lower crop prices may also put downward pressure on farmland values.

**Closed Session**

During the closed session, the Board received a quarterly report on the Office of Examination’s supervisory and oversight activities.

**Notational Votes**

Since the Aug. 8 FCA Board meeting, three notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

- On Aug. 13, the FCA Board voted to update its policy statement on Equal Employment Opportunity and Diversity. The updated statement contains two minor revisions.
- On Aug. 26, the Board voted to approve the Fall 2013 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and the Fall 2013 Regulatory Projects Plan.
- On Aug. 28, the FCA Board approved the FY 2014 Revised Budget in the amount of $63,300,000 plus $600,000 for reimbursable services provided by FCA to other Federal agencies and the FY 2015 Proposed Budget in the amount of $65,600,000. Assessments for FY 2014 on System institutions will remain unchanged from FY 2013 at $50 million.

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The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System and the Federal Agricultural Mortgage Corporation (Farmer Mac). FCA charters, regulates, and examines the 93 banks, associations, service corporations and special-purpose entities of the Farm Credit System. The System makes loans to agricultural producers and their cooperatives nationwide. It includes Farmer Mac, which provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. Members of the FCA Board are Jill Long Thompson, Board Chair and CEO; Kenneth A. Spearman; and Leland A. Strom.

Note: FCA news releases are available on the Web at www.fca.gov.